

29 DEC 1948

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GENERAL

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2. CHINA: Chiang Kai-shek preparing resignation statement--
 US Embassy Nanking transmits a report that Chiang Kai-shek
 on 26 December expressed his intent to retire in favor of
 Vice President Li Tsung-jen and will issue a proclamation
 to this effect "as soon as possible." According to the Em-
 bassy, which gives credence to this report, Li then will
 make an open proposal to the Chinese Communists for a
 cease-fire order and a resumption of peace talks. If the
 Communists reject this peace proposal, Li reportedly plans
 to make an appeal to the US, the UK, France, and the USSR
 for mediation. The Embassy believes that: (a) such a pro-
 clamnation will have a disastrous effect on whatever fighting
 spirit may still exist in the Nationalist armies; (b) the Com-
 munist will reject Li's peace proposal; and (c) without
 Chiang, the National Government will be incapable of re-
 grouping its forces in order to continue resistance after
 having made an open peace move.

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(CIA Comment: CIA agrees that a government under
 Li would be even less effective than the present Government
 in offering military resistance to the Communists. CIA

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- 1 - NO CHANGE in Class. ☐~~DECLASSIFIED~~

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DDA Memo, 4 Apr 77

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Date: 16 MAR 1978 By: 028

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believes that the Communists may refuse to negotiate at all and will certainly not concede to any terms other than those which would give them effective control of a government for all China.)

Fall of Tientsin considered imminent--The Chief of the Joint US Military Advisory Group (JUSMAG) in Hankow believes that the North China cities of Tientsin and Tain will fall to the Communists within a few days. The JUSMAG Chief considers, however, that the Communists will not attack Peiping but will contain Nationalist forces there until General Fu Tso-yi is forced to surrender or to reach an agreement with the Communists. The JUSMAG Chief reports that all effective Nationalist resistance north of Pangou has been eliminated and that most Nationalist forces in the Pangou area have been withdrawn south of the Yangtze; he considers a Communist drive to the Yangtze to be imminent.

ARMY-TS

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